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Supreme Court of the United States

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No. 252. October Term, 1896.

ALONZO W. ALLEN
Plaintiff in Error.

vs.

ANDREW J. CULP.

Brief for Plaintiff in Error.

HECTOR T. FENTON,
Counsel for Plaintiff in Error.

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Supreme Court of the United States

ALONZO W. ALLEN
Plaintiff in Error
vs.
ANDREW J. CULP

October Term, 1896
No. 252.

STATEMENT OF THE CASE.

This is a writ of error brought to reverse a judgment of the Court of Common Pleas, No. 4, for the County of Philadelphia, which had been affirmed on error to the Supreme Court of Pennsylvania (the highest Court of the State), and the record in which latter Court had been remitted to the trial Court immediately after decision and before this Writ of Error could be applied for and issued; hence the writ from this Court issued directly to the trial Court.

The action was brought on an alleged parol contract between the parties litigant, who were joint patentees of Letters Patent No. 334,569, dated January 19, 1886, the plaintiff alleging (see Statement of Claim, page 4 of Record) that on or about August 11, 1892, he made a formal transfer to the plaintiff in error of his half interest in the patent to enable the plaintiff in error to have title thereto for the purpose of prosecuting infringers; and that the plaintiff in error, in consideration of the assignment, promised so to do and also to pay to defendant in error a moiety of all profits he, the plaintiff in error, should receive from sales made under the patent, including a like share of any damages received from prosecutions for infringement.

The plea was *non-assumpsit*, but the only question presented on this writ of error is the effect on the rights of the parties, of their subsequent joint act, on November 18, 1892, in surrendering the patent and applying for a re-issue thereof (see Record, page 18), which application for re-issue was rejected on its merits by the Patent Office (see Record, pp. 24 to 26 inclusive) and still remains rejected, there being no patent, either original or re-issue, outstanding or in force, unless it be that the words "such surrender shall take effect upon the issue of the amended patent," contained in Section 4916, Rev. Stat., operates to preserve the original patent in force for the purpose of suit by the patentees either as against the public or as between themselves, notwithstanding its surrender as inoperative and defective, and the rejection, on the merits, of the application for a re-issue thereof, and of the fact that the original patent still remains surrendered.

History of the Case.

The plaintiff and defendant prior to November, 1886, were partners in the manufacture and sale of textile machinery. During that time they jointly invented a tension device for a cop winding machine and took out a patent therefor, dated January 19, 1886, No. 334,569, being the patent in question. The partnership was dissolved November, 1886, Allen continuing the business, *but the parties retained each their undivided half interest in the patent in question*. Culp set up the same business elsewhere but almost immediately discontinued it. The partners before the dissolution, and Allen afterwards, manufactured *a tension device* (see drawing thereof opposite page 27 of Record) *which omitted certain essential elements shown in the patent*, but which both until late in 1892 supposed to be within the claims of the patent. Other persons were making the same device. Allen desired to prosecute

them for infringement. He procured from Culp an assignment of the latter's half interest in the patent on a promise to pay the expense of a re-issue for the purpose of amending the claims to cover the alleged infringing device and of prosecuting infringers, and he promised Culp so to do and to share with him one-half of all profits, damages or royalties so obtained, including any machines made and sold by himself. Both parties joined in the surrender of their patent and in the application for re-issue thereof, but the re-issue was refused by the Government; hence there were no profits received and no suits for damages against the infringers. Allen, the defendant, had made a quantity of the tension devices between 1886 and 1893, but they were like those made by the alleged infringers and omitted a part of the original machine and were in fact the thing for which the re-issue patent was sought. The amended claims (4 and 7) in the rejected re-issue application were obviously intended to cover this modified construction. The abstract of the proceedings showing this fact and the rejection of the re-issue application, was put in evidence and is printed at large in the Record, pp. 18 to 26. Of course, if the original patent did not cover the device (shown opposite page 27 of Record) then made and sold by infringers as well as by Allen, the plaintiff in error, there was no consideration for the alleged promise to account as between the parties, apart from the fact that being joint owners each had a full right to make and use without liability to account to each other, and apart also from the applicability of the indisputable proposition that all claims for profits or damages accrued prior to the surrender and application for re-issue were thereby cancelled, even though the re-issue had been granted. The original patent in this case was surrendered *prior* to the bringing of this action.

The plaintiff below obtained a verdict and judgment in his favor for $225 and costs. If that sum alone was the only liability imposed by this erroneous judgment, this writ of error would not have been sued out; but it is obvious that if the

plaintiff below was entitled to recover, he is equally as well entitled to compel the plaintiff in error to account to him for all the supposed patented tension devices he shall make and sell hereafter, until January 19, 1903, when the term for which the original patent was granted will expire, notwithstanding that the patent has been surrendered and is not outstanding, and a reissue thereof finally rejected on its merits.

Assignments of Error.

I. The trial Court erred in affirming the second point submitted by *plaintiff below*, which was as follows: "Where the re-issue of Letters Patent of the United States is applied for, the surrender takes effect only upon the issue of the amended patent, and if the re-issue is refused the original patent is returned to its owners."

II. The trial Court erred in affirming the fourth point submitted by *plaintiff below*, which was as follows: "The action of the Patent Office in refusing to re-issue the patent in suit, did not affect its validity, and the contract between the plaintiff and defendant in reference thereto was not rendered invalid by such action."

III. The trial Court erred in refusing to affirm the fifth point submitted by *defendant below*, which was as follows: "If, after the alleged making by the defendant of a promise to account to the plaintiff for past profits on the patented machines previously manufactured by the defendant, the parties joined in a surrender of the patent and an application for a re-issue thereof, such act amounts in law to an extinguishment of the patent and to a legal cancellation of any claim based thereon for profits on the patented machines made prior to that date."

IV. The trial Court erred in refusing to affirm the sixth point submitted by *defendant below*, which was as follows: "The joint act of the parties in surrendering the patent in question, and applying for a re-issue thereof, on November 18, 1892, amounted to a cancellation of the patent, and being followed by a refusal on the part of the Government to grant the re issue, operated to end and determine the contract sued upon as to any of the patented machines made after such surrender."

V. The trial Court erred in entering judgment in favor of the plaintiff below.

Argument for Plaintiff in Error.

This record presents for consideration and determination the construction of Sec. 4916 Rev. Stat. authorizing reissues of patents for inventions, and the particular question presented is what is the status of an original patent and of claims arising thereunder, *after* it has been surrendered on an application for reissue and pending such reissue, or in case of the refusal of the reissue, on the merits. The statute in question is as follows:

> "SEC. 4916. Whenever any patent is *inoperative or invalid* by reason of a defective or insufficient specification, or by reason of the patentee claiming as his own invention or discovery more than he has a right to claim as new, if the error has arisen by inadvertence, accident or mistake, and without any fraudulent or deceptive intention, the Commissioner shall, *on the surrender of such patent* and the payment of the duty required by law, cause a new patent for the same invention and in accordance with the corrected specification, to be issued to the patentee, or in case of his death or of an assignment of the whole or any undivided part of the original patent, then to his executors, administrators or assigns, for the unexpired part of the term of the original patent. *Such surrender shall take effect upon the issue of the amended patent.*

> The Commissioner may, in his discretion, cause several patents to be issued for distinct and separate parts of the thing patented upon demand of the applicant, and upon payment of the required fee for a re-issue for each of such re-issued Letters Patent. The *specification and claim in every such case shall be subject to revision and restriction in the same manner as original applications* are. Every patent so re-issued, together with the corrected specification, shall have the same effect and operation in law, on the trial of all actions for causes thereafter arising, as if the same had been originally filed in such corrected form; but no new matter shall be introduced into the specification, nor in case of a machine patent shall the model or drawings be amended, except each by the other; but when there is neither model nor drawing, amendments may be made upon proof satisfactory to the Commissioner that such new matter or amendment was a part of the original invention, and was omitted from the specification by inadvertence, accident or mistake, as aforesaid."

Such parts of the section as are of particular importance in this inquiry have been italicized above, and attention may be called to them in the order in which they appear in the section. (1). The Commissioner has no authority to grant a reissue unless the original patent is *inoperative or invalid* (and the plaintiff below has so sworn in his application. See Record, page 23). (2). The Commissioner has no authority to consider an application for reissue unless the application is preceded or accompanied by a *surrender* of the original patent. (3). On all such applications for reissue, accompanied by a surrender of the original patent, it is directed that "the specification and claim in every such case shall be subject to revision and restriction *in the same manner as original applications are*," which is a mandatory direction to the Commissioner to re-examine the applicant's right to *any* patent, in respect of the novelty and utility of the alleged invention, and to reject it entirely on the merits, not only as to the amended claims but as to the original claims, if such examination discloses that the patent ought not to have been *origi-*

nally granted. The above quoted words from Sec. 4916 Rev. Stat. not only authorize such course but command it. *Peck.* vs. *Collins*, 103 U. S., 660 (665).

But what effect is to be given to the words, "such *surrender* shall take effect upon the issue of the amended patent"?

The Patent Act of 1836, which was repealed and supplied by the Act of July 8, 1870, re-enacted in Sec. 4916 Rev. Stat., differed in substance from the latter statute in respect of the clause relative to surrenders and reissues only in that the present Act contains the words last above quoted.

The repealed Act of 1837 and the effect of a "surrender" thereunder, on application for reissue, was construed and defined by this Court in several cases, notably *Moffitt* vs. *Garr*, 1 Black, 273; *Reedy* vs. *Scott*, 23 Wallace, 352, and *Peck* vs. *Collins*, 103 W. S, 660.

In *Moffitt* vs. *Garr*, 1 Black, 273, Mr. Justice NELSON delivering the opinion of the Court, said:

> "The point in the case is whether or not the patentee may maintain a suit on the surrendered patent, instituted before the surrender, if he has not availed himself of the whole of the provision, and taken out a re-issue of his patent with an amended specification. The construction given to this section, so far as we know, and the practice under it, in case of a surrender and a re-issue, are that the pending suits fall with the surrender. A surrender of the patent to the Commissioner within the sense of the provision means an act which in judgment of law extinguishes the patent. It is a legal cancellation of it, and hence can no more be the foundation for the assertion of a right after the surrender than could an act of Congress which had been repealed. It has frequently been determined that suits pending which rest upon an act of Congress fall with the repeal of it. The re-issue of the patent has no connection with or bearing upon antecedent suits; it has as to subsequent suits. The antecedent suits depend upon the patent existing at the time they were commenced, and unless it exists, and is in force at the time of trial and judgment the suits fail."

In *Reedy* vs. *Scott*, 23 Wallace, 352, this Court held that:

> "Pending suits are defeated when it appears that the patent on which the suit is founded has been surrendered, nor is a supplemental bill setting up the re-issued patent a proper pleading to revive such a suit in equity, as nothing can be recovered, either as damages or profits, for the infringement of the surrendered patent. Infringement of the re-issued patent is a new cause of action, for which the only remedy is by commencement of a new suit."

This ruling, which has been repeatedly applied, both before and since *Reedy* vs. *Scott*, *supra*, obviously sustains the third assignment of error in the case at bar.

The remaining assignments all relate to the same questions and may be considered together.

In *Peck* vs. *Collins*, 103 U. S., 660, which was an action on a contract affecting a patent which had been surrendered prior to the enactment of the statute of 1870, this Court cited with approval its previous ruling in *Moffitt* vs. *Garr*, *supra*. In delivering judgment Mr. Justice BRADLEY referred to the new statute in question (Rev. Stat., 4916), which had been enacted before the case had been removed to this Court, saying (p. 665):

> "Since the surrender of the patent in this case the patent laws have undergone a general revision by the Act of July 8, 1870, ch. 230. In the 53d section of that Act (being the section relating to the surrender and re-issue of patents), a new clause was introduced, declaring that the surrender 'shall take effect upon the issue of the amended patent;' and this clause is retained in section 4916 of the Revised Statutes. What may be the effect of this provision in cases where a re-issue is refused, it is not necessary now to decide. Possibly it may be to enable the applicant to have a return of his original patent if a re-issue is refused upon some formal or other ground which does not affect his original claim. But if his title to the invention is disputed and adjudged against him, it would still seem that the effect of such a decision should be as fatal to his original patent as to his right to a re-issue."

In connection with the words in the section 4916, Rev. Stat., to the effect that upon application for re-issue, the claims shall be subject to revision and restriction the same as in original applications, it is to be noted that the Patent Act of 1837 (amending the Act of 1836) contained a similar provision. Of this clause in the Act of 1837, Mr. Justice BRADLEY, in *Peck* vs. *Collins*, *supra*, page 665, said of it:

> "The question of his right to any patent at all was opened anew, the same as upon an original application for a patent. Surrender of the patent was an abandonment of it, and the applicant for re-issue took upon himself the risk of getting a re-issue or of losing all. A failure upon the merits, in a contest with other claimants, only gave additional force to the legal effect of the surrender."

Incidentally the question at bar is touched upon in *Burrell* vs. *Hackley*, 35 Fed. Rep., 883.

That case was in the Circuit Court of the United States for the Southern District of New York, and was decided August 9, 1888. It was a bill in equity, charging infringement of a patent. There was a plea to the Bill setting up that prior to suit brought the patentee had surrendered his patent for re-issue, and that the re-issue application was pending and undetermined. The Court said:

> "The single question presented by the plea is this: Can a party who has surrendered his patent for reissue as inoperative or invalid maintain an action upon it while it is in the hands of the Commissioner of Patents awaiting his decision? It is thought that he can not. No controlling authority has been produced by the counsel or found by the Court. But the reasoning of the opinions delivered in cases decided prior to the Act of 1870 are all in support of the view here taken. *Peck* vs. *Collins*, 103 U. S. 660; *Moffitt* vs. *Garr*, 1 Fish. Pat. Cas. 610, affirmed, 1 Black, 273; *Forbes* vs. *Stove Co.*, 2 Cliff, 385. It is true that under the present law the "surrender shall take effect upon the issue of the amended patent." Rev. Stat. 4916. But this language should not be construed

> to mean that the status of the original patent undergoes no change after its return to the Commissioner. To permit the patentee to surrender his patent as inoperative or invalid, and the next day to commence an action upon it as a valid instrument, would lead to endless confusion and inconsistencies. The reissue may be granted, and all prior right of action be superseded. The patentees may have a contingent right of action depending upon the happening of some future event, but it is suspended during the time the Commissioner retains jurisdiction upon the question of reissue. Having surrendered the patent, and having declared it to be inoperative or invalid, it is incumbent upon the patentee to present some proof that he has resumed control over it. The plea is allowed."

In the case at bar both the trial Court (Record, page 15, folio 28) and the Appellate Court (Record, page 29, folio 50) held erroneously that by virtue of the saving clause in Sect. 4916 Rev. Stat. the surrender never took effect, because the re-issue which was applied for was refused, and hence that the original patent in question is a subsisting, valid and outstanding patent, and adequate to support the contract sued on.

Not only is this erroneous in law, but it is not true in point of fact. The case is paralleled by *Burrell* vs. *Hackley*, *supra*, in that in both the suit was instituted *after* the surrender and pending the re-issue application. Surely it cannot be open to question that all claims arising under the patent to the date of the surrender were cancelled by that voluntary act of the patentees (*Moffitt* vs. *Garr*, *supra*, *Reedy* vs. *Scott*, *supra*, *Peck* vs. *Collins*, *supra*), even though by force of the saving words of the statute such surrender did not *per se* operate to cancel the patent. But where, in accordance with the express direction of the same statute, the re-issue application is examined anew on the merits, and refused, on the ground that not only the amended claims but the original claims were not allowable (as in the case at bar, see Record, pp. 24 to 26), there can be no doubt that Judge BRADLEY'S reasoning in *Peck* vs. *Collins*, *supra* (page 665 of report), to the effect that "the applicant

for re-issue took upon himself the risk of getting a re-issue or of losing all. A failure upon the merits * * * only gave additional force to the legal effect of the surrender," affords a safe guide for the determination of the question in the case at bar. See also the remarks of this Court in *Eby* vs. *King*, 158 U. S., 366 (373).

Again, it cannot be controverted that all claims arising under the patent *prior to the surrender* are (notwithstanding these words in Sec. 4916) cancelled, and that these words, no matter what other effect they may have, do not reinvest the patentee with any rights thereafter growing out of or dependent upon the monopoly, until the new patent is granted, and only under and by virtue of the new and re-issued patent. If, therefore, the new patent is never granted, but is withheld by virtue of an adverse decision on the merits, made in pursuance of the express command of the same statute, it follows as a logical conclusion that the words—such surrender shall take effect upon the issue of the amended patent," ought to be and must be read,—such surrender shall take effect upon the issue of the amended patent, unless the application for such amended or re-issued patent on a re-examination of the merits as to the right of the applicant, not alone to an *amended* patent but to *any* patent (as required by the *same* section of the statute) be rejected and denied.

In the latter event it is obvious that the conditional surrender of the original patent (accompanying the petition for amendment and re-issue) becomes retroactively an absolute surrender and cancellation as of the date of the conditional surrender. Unless that be so, no force or effect is given to the direction of the statute that the right of the applicant to *any* patent should be examined anew on its merits. The State Court made the mistake of construing the statute by looking only at one side of the proposition, *i. e.*, a case in which the application for re-issue was granted, in which event it is obvious that the intention of the law was to continue the original patent in force as a *quasi* valid patent until the actual issue of

the new patent in order to prevent an interregnum, because the new patent could not legally be antedated to give effect to the monopoly created by it prior to its actual issue.

But it is clear that in any event the surrender accompanying the petition for re-issue must have had (under all the authorities cited) the effect to prevent any enforcement of the monopoly created thereby pending its (conditional) surrender and prior to the actual re-issue (which in the case at law has never yet taken place.) Hence the original patent in this case is not a *prima facie* valid patent. The applicant's oath (accompanying his re-issue application) admits that fact; besides which the statute prohibits a re-issue of any patent that is not "inoperative or invalid," hence the applicant's act of applying for a re-issue is to be construed against him as an admission to that effect. Even under this limited and narrow view of it the State Court erred in giving effect to the surrendered patent as a *prima facie* valid instrument, or in enforcing a contract founded thereon, that required for its legal support a *prima facie* valid patent vesting in the holder a legal right to bring an action thereon to enforce the monoply purporting to be granted thereby.

An obvious error underlying the decision of the Court below is, that it refused to recognize that the defence in this case presents the double aspect: *first*, that the original patent is not in force for the purpose of suit or as furnishing any ground for enforcement of a contract based thereon as a *prima facie* valid patent; and, *second*, that whether it has any life at all for any purpose, all *claims* under it, accrued prior to the surrender were cancelled by that act of the parties.

This surrender and re-issue application was made November, 1892; the re-issue was refused, and *the original patent still remains surrendered.* No application was made for a return of the original patent; no appeal was taken from the rejection of the re-issue application, and under Sec. 4894 Rev. Stat., where two years elapse without further prosecution of the application, it is to be deemed in law as abandoned, so that

now the adverse decision on the re-issue application has become final.

This suit was not brought until after the surrender. There is no patent now outstanding, and was not when this suit was brought, on which any recovery could be had against any one for profits or damages for either the licensed or the unlicensed use of the patent privileges created thereby.

In order to maintain his contention the defendant in error must be able to satisfy this Court that the surrender of the patent as "inoperative or invalid" had no effect on claims under it accrued to that date, and that the status of the patent underwent no change by the act of surrender, so as to enable the patentee to maintain a suit on it, or on a contract founded on it, as a valid, subsisting, outstanding patent granting exclusive privileges presently enforceable in law.

He cannot successfully do this under the reasoning of *Peck* vs. *Collins* and *Burrell* vs. *Hackley*, and there is no counter-authority on the subject.

Apart from the law of the case, the merits are clearly with the plaintiff in error. The parties were joint patentees. Prior to the alleged contract sued upon, each had a full and perfect right to use the invention as fully as he chose and without accountability to the other. This is undoubted law. (*Robinson on Patents*, Vol. 3, Sec. 1253.)

The entire consideration for the alleged promise sued on is comprised in the assignment of August, 1892 of a moiety in the patent; and the promise declared upon is to account for half the profits arising "*out of the patent.*" (See Record, page 5, lines 6 to 12). Both parties no doubt, thought it valid when the agreement was made, and no doubt both acted in perfect good faith. But they were mistaken. They subsequently admitted in writing that they were mistaken, because they made oath three months afterwards (in the re-issue application) that the patent assigned was "inoperative or invalid" and fully stated their reasons therefor; adding that they had become aware of this *only a*

few weeks previously. Had the re-issue been granted, the contract could have been fully carried out, but it was refused; and the entire consideration failed. On this subject *Robinson on Patents*, Vol. III. Sec. 1230 states that "the conveyance of an invalid patent forms no consideration for a contract, and when an assignee has, in good faith and in due caution, parted with any property or assumed any obligation relying upon its validity, he is entitled, on discovering the failure of consideration, to a return of the property or a release of the obligation. The ground of invalidity is immaterial." Several decisions are cited as authority, notably in foot-note 2, referring to *Keith* vs. *Hobbs*, 69 Mo. 84, which is quoted as deciding that "where the patent is void on account of a *defective specification*, there will be no consideration for a note given for the purchase money."

No valid or even *prima facie* valid patent, either original or re-issue, is now in existence and outstanding, on which any recoveries can be had or suits brought against any one, either for past or future use of the alleged invention, and has not been since before this suit was brought. If this judgment can be sustained, then the plaintiff can equally as well recover hereafter and until the end of the term for which said patent was granted, to wit, until 1903, requiring an account from defendant for half the profits on machines made by him, as being profits made "*out of the patent*," which patent has been surrendered as "inoperative or invalid" by both the parties hereto, which has no legal existence for the purpose of recovery thereunder, which under the declaration and oath of both parties hereto was inoperative or invalid (when the contract was made) because defective and insufficient to protect the invention; and which patent, whether it can ever be returned to the surrenderers or not, does not include within its monopoly the machines made by either this defendant or the other manufacturers thereof, (see drawing thereof opposite page 27 of Record), and which character of structure it was sought by the attempted re-issue to cover.

In the courts below it was constantly asserted by the defendant in error that "there can be no doubt as to the validity of the patent," and that it is "in existence and *operative* at the present time." These are indeed very remarkable assertions in the face of *the joint oath of both the parties litigant*, which states explicitly that the patent is "inoperative or invalid," because "the specification thereof is defective and insufficient," and that such defect and insufficiency exists because it failed to properly describe and claim the essential and most important features of the invention; and concludes with a statement that "until within several weeks past they were not aware of the defective condition and the insufficiency of the specification and claims of their patent." (See Record, page 23). This oath was made November 14, 1892. The alleged contract was made in August, 1892. That they were mistaken when they entered into the alleged contract; and that the contemplated consideration therefore wholly failed, is as evident from this as any fact possibly can be proven. Neither the law of patents, nor the law of contracts, nor any principle of equity, require that the loss should be shifted entirely on to the shoulders of one of the innocent parties, especially for the benefit of the other one.

It is respectfully submitted that the State tribunals misinterpreted the statute in question, and their judgment, founded on such error, should be reversed.

HECTOR T. FENTON,
Counsel for Plaintiff in Error.

March 1, 1897.

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Supreme Court of the United States

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No. 252. October Term, 1896

ALONZO W. ALLEN
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vs.

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Brief for Defendant in Error

CONWAY DILLINGHAM
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Supreme Court of the United States.

October Term, 1896. No. 252.

ALONZO W. ALLEN,

Plaintiff in Error,

vs.

ANDREW J. CULP.

IN ERROR TO THE COURT OF COMMON PLEAS, NO. 4, FOR THE COUNTY OF PHILADELPHIA, STATE OF PENNSYLVANIA.

BRIEF FOR DEFENDANT IN ERROR.

Counter-Statement and History of the Case.

A patent for an improved tension, to be used on cop-winding machines, was issued to the plaintiff in error and defendant in error on January 19, 1886. The plaintiff in error was at that time in the employ of the defendant in error, who was engaged in the business of manufacturing cotton and woolen machinery. The defendant in error manufactured and sold a number of these tensions.

In November, 1886, the defendant in error sold his business to the plaintiff in error, who continued making and selling the same tension, marking it "Patented Jan. 19th, 1886."

In his affidavit of defence (p. 10 of Record), plaintiff in error admits that he made some tensions covered by this patent. In August, 1892, the plaintiff in error induced the defendant in error to assign to him his undivided one-half interest in this patent, alleging that he, the plaintiff in error, intended to prosecute infringers thereof, and desired for convenience to have the whole title in his own name. In consideration of the assignment, the plaintiff in error promised the defendant in error one-half of what he had made out of the patent in the past and one-half of what he should make out of it in the future, whether profits of manufacture or damages from infringers.

In November, 1892, the plaintiff in error was advised by his attorneys to apply for a re-issue in order to more fully protect the invention, and he obtained the signature of the defendant in error, his co-inventor, by renewing the promises he had already made. The re-issue application was rejected on December 12, 1892, on the ground of unreasonable delay, and also upon the further ground that the new claims, Nos. 4 and 7 of the re-issue, had been substantially anticipated by other patents. The merits of the remaining claims, copied from the original patent, were not considered by the Examiner. This decision was adhered to in the Examiner's letters of October 11 and 14, 1893 (pp. 26 and 27 of Record). No objection was raised to Claim 1 of the re-issue and of the original patent. Formal objections were made to Claims 2, 3, 5 and 6 of the re-issue and of the original patent. Claims 4 and 7 of the original patent were not inserted in the re-issue and were, of course, not considered by the Office. Counsel for the plaintiff in error, who, as sole owner, had absolute control of the re-issue proceedings, did not pretend to meet the formal objections of the Examiner, and permitted the application to lapse by his failure to further prosecute it within two years. He also neglected to take an appeal from the rejection of the application.

In January, 1893, the plaintiff in error informed the defendant in error that he did not intend to take any further

proceedings in reference to the patent and refused to fulfil his promises in reference to the division of profits, which he had already made.

That thereafter, on May 26, 1893, the defendant in error began his suit to recover, under his contract with the plaintiff in error, the half of the profits which he, the plaintiff in error, had made out of the patent. This suit resulted in a verdict for defendant in error for $225.00. A new trial was refused, and the plaintiff in error then took the case to the Supreme Court of Pennsylvania, by a writ of *certiorari*, where the judgment of the lower Court was affirmed, on February 4, 1895. On February 13, 1895, the plaintiff in error took the present writ of error to this Honorable Court.

This rather full counter-statement has been deemed necessary in view of the version of the facts given by counsel for the plaintiff in error, in his statement and history of the case. He has stated, as a basis for argument, that version of the facts which he attempted to prove at the trial, and which was necessarily and finally negatived by the verdict of the jury against him.

Argument.

The following facts appear, by the records of the Patent Office: A patent for an improvement in cop-winding machinery was issued to the plaintiff in error and defendant in error, on January 19, 1886. The defendant in error assigned his undivided half interest in this patent to the plaintiff in error, on August 4, 1892. An application for a re-issue was filed on November 18, 1892, signed by the plaintiff in error and defendant in error, as co-inventors. On December 12, 1892, as shown by letter of Robert Hains, Examiner of Patents, Transcript of Record, p. 24, this application was rejected upon two grounds: First, that there had been an unreasonable delay in making the application;

Second, that the new claims, Nos. 4 and 7, had been already anticipated by other patents, and were, therefore, unpatentable. The merits of Claims 1, 2, 3, 5 and 6, copied from the original patent, were not considered, though formal alterations in some of them were suggested. In the subsequent correspondence this decision was adhered to.

In his affidavit of defence (p. 10 of Record), the plaintiff in error acknowledged that he had manufactured and sold a number of the tensions covered by this patent, using the following language: "After the dissolution of said firm each party on his own individual account continued the same business, *deponent having made some of the said patented machines.*"

The verdict of the jury necessarily established that the consideration for the assignment was the promise of the plaintiff in error to pay the defendant in error one-half of all profits made out of the patent, and that the tensions sold by the plaintiff in error before and after the assignment, and which he had marked "Patented, Jan. 19th, 1886," were covered by the claims of the patent. No other version of the facts is consistent with the verdict, and the above-stated findings must be taken as the basis for argument.

Four specifications of error were assigned by the plaintiff in error on appeal, and it is these propositions of law, passed upon by the State Court of last resort, that your Honorable Court is now called upon to review. They were presented as points for charge to the trial Judge, two by the plaintiff in error and two by the defendant in error respectively. The points of the defendant in error were affirmed and the points of the plaintiff in error were refused, to which the plaintiff in error excepted.

It is respectfully submitted that these four points really involve but two questions of law, and it is proposed to so argue them. The first, second and fourth specifications may be classed together.

1. (PLAINTIFF'S SECOND POINT):

"Where the re-issue of Letters Patent of the United States is applied for, the surrender takes effect only upon the issue of the amended patent, and if the re-issue be refused, the original patent is returned to its owners.

"I cannot say about 'returning to the owners.' I do not know what the practice of the Patent Office is in relation to that; but I affirm this point so far as to say that the refusal of the re-issue does not by law necessarily invalidate the old patent."

2. (PLAINTIFF'S FOURTH POINT):

"The action of the Patent Office in refusing to re-issue the patent in suit did not affect its validity, and the contract between the plaintiff and defendant in reference thereto was not rendered invalid by such action.

"I have already so instructed you. I affirm that point."

4. (DEFENDANT'S SIXTH POINT):

"The joint act of the parties in surrendering the patent in question, and applying for a re-issue thereof, on November 18, 1892, amounted to a cancellation of the patent, and being followed by a refusal on the part of the Government to grant the re-issue, operated to end and determine the contract sued upon as to any of the patented machines made after such surrender.

"I refuse that point."

These three points, it is contended, raise the one question of law, viz.: Whether an application for a re-issue, necessarily and *ipso facto*, acts as a surrender and cancellation of the original patent, be the re-issue granted or refused. If, as the plaintiff in error contends, the patent in suit was cancelled and ceased to exist on the date of the application for a re-issue, no profits could be derived from it after that date.

The plaintiff in error further contends that as the original patent was cancelled by the application for a re-issue and no re-issue was allowed, the consideration has failed and all claims arising under the contract are abrogated.

We respectfully submit that the Revised Statutes, the Rules of the Patent Office, and the authorities herewith submitted directly negative the contention upon which the plaintiff in error rests his case.

The Revised Statute, Sec. 4916, Act of July 8, 1870 provides as follows:

"Whenever any patent is inoperative or invalid by reason of a defective or insufficient specification or by reason of the patentee claiming as his own invention or discovery more than he had any right to claim as new, if the error has arisen by inadvertance, accident or mistake, and without any fraudulent or deceptive intention, the commissioner shall on the surrender of such patent and the payment of the duty required by law, cause a new patent for the same invention and in accordance with the correct specification to be issued to the patentee, or in case of his death or the assignment of the whole or any undivided part of the original patent, to his executors, administrators or assigns for the unexpired term of the original patent. *Such surrender shall take effect upon the issue of the amended patent.*"

The language of the statute distinctly fixes the time when the surrender of the patent takes effect, which is when the amended patent is issued.

It was clearly the intention of Congress to remove all doubt that had arisen under the previous Acts as to when the surrender and cancellation took effect.

The wording of the Patent Office rules, revised on February 9, 1897, shows clearly that the Patent Office construes the Act of 1870 as requiring, in the case of a re-issue application, merely an offer to surrender the original patent if re-issued.

Rule 22 provides:

"The application for a re-issue must be accompanied by the original patent, *by an offer to surrender it if re-issued.* * * * *If the re-issue be refused, the original patent will, upon request, be returned,*"

In the face of this rule, which requires merely an offer to surrender the original patent, if re-issued, and provides for its return, in case of the refusal of a re-issue, how can counsel for the plaintiff in error contend that a re-issue application acts *per se* as a cancellation of the original patent?

Mr. Robinson, in his exhaustive analysis of this subject, says that all doubt on the question of the time of the surrender has been removed by the Act of 1870.

Robinson on Patents, Vol. 2, page 419, Section 697.

"*Surrender of the original patent takes effect upon the grant of the re-issued patent.* Since the surrender when accepted abrogates all rights of the surrenderors under the original patent. * * *

"The question as to the time of such acceptance is of great importance and was formerly surrounded with considerable difficulty. Prior to the Act of 1870 the statutes contain no specific answer to this question and the decisions of the Court were not in harmony. * * * The Act of 1870 removed at once these difficulties and doubts by providing that the surrender should take effect only upon the issue of the amended patent. *At present, therefore, the rights of the surrenderors are protected by the original patent until the re-issue is awarded, and if the re-issue be refused the original patent is returned to its owners, who are thus left to sustain it as they are able, in the Courts.*"

See also *Walker on Patents*, Section 231, as follows:

"Patents surrendered since July 8, 1870, were also cancelled thereby if re-issues were granted thereon, *but not otherwise.*"

In the case of *Reedy* vs. *Scott*, 23 Wallace 352 (1875) Mr. Justice CLIFFORD said: "Patents may be surrendered in certain cases in order to obtain a new patent for the same invention, with a corrected specification. Surrenders of the kind take effect when the amended patent is issued, and from that time the original patent ceases to be operative as

a franchise to vest in the patentee the exclusive right to make and use the invention, and vend the same to others to be used.

"Surrendered patents cease to be operative when the new patent is issued; from which it follows that such a patent after the surrender is not the proper foundation for an action at law or of a suit in equity, to recover either damages or profits for the infringement of the invention."

In *Burrell* vs. *Hackley*, 35 Federal Reporter, 833 (1888), a bill was filed charging the infringement of a patent, while a re-issue application was pending and the Court decided that an action could not be maintained for *the infringement of a patent*, while the application for re-issue was in the hands of the Commissioner. The Court said: "The re-issue may be granted and all prior right of action superceded. The patentees may have a contingent right of action depending upon the happening of some future event, but it is suspended during the time the Commissioner retains jurisdiction upon the question of re-issue." This language is clearly inconsistent with the theory of the plaintiff in error, that the application for a re-issue cancelled the patent, for in that case there would be no contingent right of action.

The effect of a re-issue application upon the original patent is well expressed in *Forbes* vs. *Barstowe Stove Co.*, 2 Clifford, 379 (1864), where Mr. Justice CLIFFORD said: "The re-issued Letters Patent, as a general rule have the effect to supersede the original patent, but a pending application for that purpose cannot receive any such construction, no matter how nearly the proceedings may have approached to a consummation, so long as they are not finally completed. Prior to the issuing of the new patent, what is called a surrender in the case, is in general nothing more than a preliminary offer to that effect, as the necessary means of obtaining a re-issue."

In *Peck* vs. *Collins*, 103 U. S., 660 (1881), which was decided under the law as it stood prior to the Act of July 8, 1870, an application had been made for a re-issue and an

interference declared between the applicant and other contesting patentees. The merits of the invention were gone into and, being adjudged against the applicant for a re-issue, the original patent was held invalid. Mr. Justice BRADLEY, after deciding the case, said:

"Since the surrender of the patent in this case the patent laws have undergone a general revision by the Act of July, 1870.

In the 53d Section of that Act, being the section relating to the surrender and re-issue of patents, a new clause was introduced declaring that "the surrender shall take effect upon the issue of the amended patent."

And this clause is retained in Sec. 4916 of the Revised Statutes. *What may be the effect of this provision in cases where re-issue is refused, it is not necessary now to decide.* Possibly it may be to enable the applicant to have a return of his original patent, if a re-issue is refused upon some formal or other ground which does not affect his original claim, but if his title to the invention is disputed and adjudged against him, it would seem that the effect of such a decision should be as vital to his original patent as to his right to a re-issue."

In *Eby* vs. *King*, 158 U. S., 366 (1885), suit was brought for the infringement of a re-issued patent and the re-issue was held invalid. After reaching this decision, Mr. Justice BROWN said, "A further question arises whether, where a patent has been surrendered and re-issued, and such re-issue is held to be void, the patentee may proceed upon his original patent. In other words, whether the surrender is good though the re-issue be void. * * * By the Act of July 8, 1870, Rev. Stat., Sec. 4916, it was declared that the surrender shall take effect upon the issue of the amended patent; but it was intimated in *Peek* vs. *Collins*, 103 U. S., 660, that the effect of an adverse decision on the title of a patentee to the invention would be as fatal to the original letters as to his right to a re-issue." The Court goes on to say that even if the patentee were able to fall back on the original patent, it would do him no good in this case.

Here a re-issue had been allowed, the surrender had taken effect, and the original patent cancelled.

The plaintiff in error attempts to argue that, in the present case, the re-issue was refused on its merits, but this is clearly an after-thought, and is not borne out by an examination of the facts. He did not bring this view of the case to the attention of the trial Judge, but contented himself with resting upon his broad principle, that an application for a re-issue is a cancellation of the patent in all events. A reference to the specifications of error will show that this point was not raised at the trial.

An examination of the correspondence of the Examiner of Patents (Transcript of Record, p. 24), shows clearly that the re-issue was refused on the broad ground of laches in making the application, and also because the new claims asked for were unpatentable. The merits of the original Claims Nos. 1, 2, 3, 5 and 6 were not touched upon, although formal objections were raised to Claims 2, 3, 5 and 6. Claims 4 and 7 of the original patent not being inserted in the re-issue, were not considered by the Office. These facts are shown by the Examiner's letter of December 12, 1892, in which he says: "The re-issue applied for is refused on the ground that there was an unreasonable delay from the date of the original patent until the filing of the re-issue application. * * * A further reason for refusing the re-issue is that the new Claims 4 and 7 are unpatentable. * * * In order to put Claims 2, 3, 5 and 6 in proper form, the structural relation and connection of the various elements should be set forth." The above action was adhered to in every respect in the later correspondence. We have, then, the whole re-issue refused on the ground of laches. The new Claims 4 and 7 were refused on the ground of unpatentability. Formal objections were raised to Claims 2, 3, 5 and 6, which objections counsel for plaintiff in error who also acted as his patent attorney, did not make any attempt to meet.

No objection, formal or otherwise, was raised to Claim 1. Claims 4 and 7 of the original patent were not consid-

ered. The title to the invention was not disputed or adjudged. There was no decision adverse to the title of the patentee to the invention. There is no mention made of the merits of the original claims from the beginning to the end of the correspondence, and yet counsel for the plaintiff in error states again and again in his brief that the reissue was rejected on the merits, or rather demerits, of the original claims. On this account it has been deemed necessary to go fully into the subject. The plaintiff in error, as sole owner, had exclusive control of this re-issue application, and it was his duty to push it in good faith. This he failed to do, as he allowed it to lapse for want of prosecution, and neglected to take any appeal. At the bottom of page 12 of his brief, he states these facts as if they were the fault of the defendant in error, whose interests were entirely in his hands, and further states that no application was made for the return of the original patent. If the original patent is not now in his hands, it is because he has failed to apply for its return, which he can obtain at any time from the Patent Office.

It is submitted, therefore, on the above authorities, that as a re-issue was refused, the surrender of the original patent never took effect. The patent is, therefore, in existence and operative at the present time.

The third specification of error consists of the fifth point for charge of the plaintiff in error.

"If, after the alleged making by the defendant of a promise to account to the plaintiff for past profits on the patented machines previously manufactured by the defendant, the parties joined in a surrender of the patent and an application for a re-issue thereof, such act amounts in law to an extinguishment of the patent and to a legal cancellation of any claim based thereon for profits on the patented machine made prior to that date."

"I refuse that point."

It contains two distinct propositions of law.

The first, that the application for a re-issue amounts in law to an extinguishment of the patent, has already been

very thoroughly discussed, and, if the above reasoning is correct, this point was properly refused on that ground alone, as the trial Judge has the right to treat the point as a whole.

The second proposition is, that an application for the re-issue of a patent amounts in law to a cancellation of all claims based thereon, for profits made prior to that date on the patented machine.

This proposition, even if sound, does not apply to the present case, as the suit is not upon a claim based in any sense upon the patent, but is upon a contract. The question of profits upon the patent merely arises incidentally in determining the damages. But, it is submitted, this proposition itself is not sustainable, as it proceeds upon the assumption, already discussed, that a surrender takes effect upon the filing of an application for a re-issue. This fact appears clearly on an examination of the authorities cited.

In *Jordan* vs. *Agawam Co.*, 7 Wallace, 583 (1869), a bill was filed to prevent the infringement of a re-issued patent. The Court, after granting the relief asked, remarked, "but the complainant cannot recover damages for any infringement antecedent to the date of the re-issued patent as the extended patent was surrendered." Here the surrender had taken effect, as the re-issue had been granted, and all claims under the original patent fell as a matter of course. In *Moffit* vs. *Garr*, 1 Black, 273 (1862), there was a suit for infringement, committed prior to the application for a re-issue under the old Act of 1836. Mr. Justice NELSON, said: "The antecedent suits depend upon the patent existing at the time they were commenced, and unless it exists, and is in force at the time of the trial and judgment, the suit falls." Under the present Act of 1870, the surrender does not take effect, and the original patent does not cease to exist, until the re-issue is allowed. If the surrender never takes effect, there is no reason for the falling of the claims and suits on the original patent.

In *Reedy* vs. *Scott*, *supra*, a re-issue had been granted, and the Court very properly held, that as the surrender of

the orignal patent had taken effect, all claims and suits founded upon it lapsed on that account.

In *Burrell* vs. *Hackley, supra,* the Court said: "The re-issue may be granted and all prior right of action superceded." Clearly from this language, prior rights of action are superseded by the granting of the re-issue, and not by the application therefor.

In *Rein* vs. *Clayton,* 37 F. R., 354 (1889), an injunction was asked for to enjoin the infringement of a patent which had not yet been issued, the application being still pending. In seeking analogies, BROWN, J., said: "It has frequently been held that after a patent has been surrendered no action will lie upon it, and all actions founded on it will abate, notwithstanding an application for a re-issue for the same be pending. *Moffitt* vs. *Garr,* 1 Black, 273; *Peck* vs. *Collins,* 103 U. S., 664. This particular defect has since been remedied by the Act of 1870, declaring that the surrender shall take effect upon the issue of the amended patent, but the principle of these decisions is not affected."

The claims in each of these cases were for infringement, and based upon the patent itself, while the present suit is based upon a contract. They decide that such claims, based upon the patent, lapse when the surrender for re-issue takes effect. The point of time when such surrender takes effect is fixed by the Act of 1870, as has been elsewhere very fully argued.

Counsel for the plaintiff in error devotes the latter portion of his brief to the question of consideration. He appears to raise two points: 1. That there is now no valid patent in existence, and, therefore, the consideration of the contract has failed. 2. That there was no *prima facia* valid patent in existence at the time of the trial, because the re-issue application was pending.

The first point has been already discussed, and it is submitted there is undoubtedly a valid patent in existence, furnishing a good consideration for the contract.

In regard to the second point, if the patent is valid now, it was valid, and a good consideration, at the time of the trial, so that the point is wanting in equity, and is a purely technical one. This is an attempt to raise, for the first time in this court of last resort, what is substantially a plea in abatement, to the effect that the present action was not properly brought, while the re-issue application was pending. This contention was not raised at the trial, and does not appear in the exceptions. It is, therefore, respectfully submitted that this question is not before the Court. As a matter of fact, the plaintiff in error, in his sixth point for charge, stated that the re-issue had been refused.

"6th. (Submitted by *defendant* and *refused*.) The joint act of the parties in surrendering the patent in question, and applying for a re-issue thereof, on November 18, 1892, amounted to a cancellation of the patent, *and being followed by a refusal on the part of the Government to grant the re-issue*, operated to end and determine the contract sued upon as to any of the patented machines made after such surrender."

Surely he cannot now be allowed take advantage of a purely technical point, which he not only did not raise at the trial, but the reverse of which he asked the trial Judge to charge. If the trial Judge has made any mistake in this respect, which is denied, he was misled by the plaintiff in error, who certainly should not profit thereby.

At the same time the attention of the Court is called to the fact that *Burrell* vs. *Hackley*, *supra*, and the other cases cited by the plaintiff in error on this subject were all actions on the patent itself for infringements thereof, and it was properly decided that these actions would not lie, until the question of re-issue was determined. For if a re-issue were allowed the claims would fall. The present action was not upon the patent, but on a contract to pay half profits, that had already been made from the patent. Even if the re-issue had been granted, the right of the defendant in error, under his contract, to recover half of the profits already made would not have been lost, and such was the express agreement of

the parties, when the defendant in error was induced to join as co-inventor, in the application for a re-issue. If, then, the right of the defendant in error to such profits was not to be affected by the granting or by the refusal of a re-issue, there is no reason why the suit for such profits should not be brought during the pendency of a re-issue application. However, as has been already stated, this point was not only not reserved, but was not even raised at the trial.

It is respectfully submitted that in the present case the surrender never took effect, and the original patent is in existence and operative at the present time. There was good consideration for the contract, and the damages awarded were properly derivable from the patent. There was no error in the trial of the cause, and the judgment of the State Courts should be affirmed.

CONWAY DILLINGHAM,
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Of Counsel for Defendant in Error.

March 6, 1897.